GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:984
ANSWERED ON:29.04.2016
Bank Profit/Losses
Gopal Dr. K.

Will the Minister of FINANCE be pleased to state:

(a) whether it is true that since most public sector banks provided only 50 per cent of their performance that was mandated by Reserve Bank of India (RBI) in third quarter similar provisioning is required in the Fourth quarter too, if so, the details thereof;

(b) whether it is also true that as a result of mounting losses, the capital position of the public sector banks have deteriorated and the rating agency said it is likely to be difficult for these banks to raise funds from the non-government sources, if so the details thereof;

(c) whether the Government has assessed the highest level of stress which is likely to significantly impact earning and solvency profile of PSBs over the next two or three years, if so, the details thereof; and

(d) the measures taken by the Government to improve earning and solvency profile of PSBs?

Answer

The Minister of State in the Ministry of Finance

(a) : Reserve Bank of India (RBI) has conducted an Asset Quality Review (AQR) exercise under which all banks, including PSBs covered under AQR, were asked to make at least 50% provision for the accounts identified as NPA under AQR in December 2015 quarter and the rest in March 2016 quarter.

(b) to (d) : To keep PSBs adequately capitalised following measures have been taken:-

The PSBs have been allowed to raise capital from Public markets by diluting Government of India holding upto 52% in phased manner based on their capital requirement, their stock performance, liquidity, market conditions etc.

The Government has unveiled 'Indradhanush' plan for revamping PSBs resting on 7 pillars namely Appointments, Bank Board Bureau, Capitalisation, De-stressing PSBs, Empowerment, Framework of accountability and governance reforms.

Under the "Indradhanush" plan, the Government has proposed to make available Rs. 70000 crores out of the budgetary allocations during current year and next three financial years. A sum of Rs. 25,000 crore has been infused in 19 PSBs during 2015-16 and Budgetary of Rs. 25,000 crore has also been made for capitalisation of PSBs during financial year 2016-17.

Further, the Reserve Bank has recently made some amendments to the treatment of certain balance sheet items (viz. revaluation reserves, foreign currency translation reserves and deferred tax assets) for the purposes of determining banks" regulatory capital. These amendments will also help shore up the capital level of PSBs.

The measures initiated by the Government and RBI are intended to improve the capital position in PSBs. These measures should also improve the market valuations of the PSBs which in turn, will help them in accessing capital from market at competitive terms.

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